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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 008503

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TAGS: [UNESCO](#)

SUBJECT: USUNECO: INTERNAL OVERSIGHT FINDS SERIOUS PROBLEMS IN BRASILIA OFFICE, POTENTIAL PROBLEMS IN ISLAMABAD, BUT NONE IN AMMAN.

1. After receiving a series of e-mails from the UNESCO Iraq office based in Amman alleging mismanagement and corruption, the DCM met December 13 with John Parsons (strictly protect), a UK national who heads UNESCO's office of internal oversight. (Note: Parsons spent a year in Washington on secondment to the GAO and is very complimentary of US oversight methods.) Parsons assured the DCM that they have inspected the UNESCO Amman office and found no serious irregularities. He did say that they are concerned about possible problems in the Islamabad office, but didn't elaborate. What was of greatest concern to Parsons was the situation in the UNESCO Brasilia office from where he had just returned. Parsons repeated some of the less sensitive information at a Geneva group meeting on December 15.

2. Allegations of misconduct and mismanagement at the UNESCO Brasilia office have been floating around UNESCO for a number of months. In September, Director General Matsuura forced the early retirement of the office's director, Jorge Wertheim, an Argentine national married to a Brazilian. Parsons confirmed that he has been under pressure from the Deputy Director General Macio Barbosa, a Brazilian national, not to investigate too closely.

3. What Parsons found during his inspection was that the Government of Brazil was essentially using the Brasilia UNESCO office as a "front" to deliver services and get around its own cap on the hiring of civil servants. The GOB was providing USD 120 million per year, while UNESCO's contribution was USD 300,000. The whole Brazil operation had over 3,000 employees. Of the GOB's contribution, 53% was going to the Ministry of Health to pay for programs such as the training of nurses and doctors--an area, Parsons pointed out, that is totally outside of UNESCO's mandate. (The UNESCO Brasilia office is no longer working with the Ministry of Health.) The UNESCO Brasilia office was charging overhead on the GOB funds that amounted to USD 5-6 million per year and that could be spent at Wertheim's discretion. (Note: In September, before Wertheim was fired, there was an elaborate exhibit at UNESCO headquarters on the work of the Brasilia office; Parsons confirmed that it was funded from the overhead charges and cost USD 85,000.)

4. Parsons asserted that Brazilian labor laws do not permit the type of hiring that was being done, but that UNESCO and UNDP were hiding behind diplomatic immunity to violate those laws and avoid paying social charges. In the Dec. 15 Geneva Group meeting, Parsons added that both Wertheim and UNESCO face legal action. He said that UNESCO faces potential financial liabilities for these unpaid charges and that individuals in Brazil are taking UNESCO to court over unpaid charges. At this point UNESCO is seeking protection through its own immunity. Parsons also noted that the external auditor may not be able to certify the organization's finances because of potential liabilities

5. The UNESCO office has now been significantly downsized and will be engaging in smaller, meaningful technical cooperation, not projects that go on year after year.

6. Meanwhile, Wertheim is now involved with a new development agency run by the Ibero-American states (note: Parsons said this is a new organization but didn't have details) and is offering his new organization's services to the GOB. This position also gives Wertheim diplomatic immunity. Parsons says that if Brazilian prosecutors bring charges against Wertheim, DG Matsuura may retroactively lift Wertheim's immunity.

7. The Brasilia office is now being run by a Canadian while the position of director is being competed. Parsons passed on one more piece of disturbing news. He said that Deputy Director General Barbosa has stated that no Amcit should be hired as a field office

director in Latin America. (Comment: If true, this is totally unacceptable. We are also concerned because we are aware of at least two qualified Amcits who have applied for the Brasilia job.)

18. Parsons also discussed efforts to implement Volcker Commission reforms that he expanded upon at the Geneva Group meeting. He said he had been stymied in his attempts to implement a hot line because senior secretariat officials, such as Francoise Riviere, the

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DG's chef de cabinet, felt that this was culturally inappropriate in France. He mentioned that he was also working with human resources on ethics training and financial disclosure. He also seeks to establish an ethics office at UNESCO and said that there will be zero tolerance for irregularities.

19. Other items Parsons mentioned during the Geneva Group meeting include:

- by the end of this year all field offices will have been audited
- he is concerned about extra-budgetary funds, donors need assurance their projects will be well managed
- risk areas at headquarters include the building renovation and unliquidated obligations of USD 57 million.
- after field audits two days are spent training staff on management controls
- that a UN code of conduct will be issued with examples
- his team is evenly divided between auditors and program evaluators

110. At his meeting with the DCM, Parsons repeated a request he made earlier this year for TDY assistance from the GAO.

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